PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Item 20, I. D. # 5925

ENERGY DIVISION RESOLUTION E-4004

September 21, 2006

R E S O L U T I O N

Resolution E-4004. Pacific Gas & Electric Company (PG&E) submits electric rate changes pursuant to the 2003 General Rate Case (GRC) Phase 2, effective May 1, 2006, which includes discontinuing enrollment of new customers in the residential time-of-use (TOU) schedule E-7, and establishes new residential TOU schedule E-6. PG&E's request is approved.

By Advice Letter 2810-E filed on April 5, 2006 and supplemental AL 2810-E-A filed on April 14, 2006.

SUMMARY

This Resolution approves the electric rates and tariffs proposed in Advice Letter (AL) 2810-E/2810-E-A, including discontinuing enrollment of new customers in the residential time-of-use (TOU) E-7 rate, and making the new E-6 TOU rate available for new residential TOU customers as of May 1, 2006. The AL complies with D.05-11-005.

PG&E's AL 2810-E as supplemented by AL 2810-E-A complies with D.05-11-005. The tariffs filed in the advice letter close residential TOU rate schedule E-7 to new customers, and make residential TOU service available to new customers under Schedule E-6 effective May 1, 2006. All rates that PG&E filed in the advice letter are consistent with the methodologies set forth in D.05-11-005. PG&E provided specific testimony proposing these changes in Phase 2 of its 2003 general rate case (GRC), A.04-06-024. All active parties addressing residential issues agreed to these changes in a settlement in that proceeding. The Commission issued D.05-11-005 on November, 18, 2005, approving the settlement.

PG&E's AL 2810-E as supplemented by AL 2810-E-A is approved effective May 1, 2006.

The protests submitted by Sky Power Systems and Toolworks are denied without prejudice. Parties may address issues raised in these protests in PG&E's 2007 Phase 2 GRC, A.06-03-005.

BACKGROUND

PG&E filed A.04-06-024 on June 17, 2004, in Phase 2 of its 2003 GRC, to address electric marginal costs, revenue allocation and rate design.

In A.04-06-024 PG&E submitted testimony on electric marginal costs, revenue allocation, and rate design. PG&E requested that rates based on its proposals become effective during the fourth quarter of 2005. In its testimony, PG&E proposed that residential TOU Schedule E-7 be closed to new enrollment, and be replaced by Schedule E-6 for all new residential TOU customers. PG&E cited three reasons for this proposal:

(1) Tier 1 and 2 rates (i.e., rates for usage up to 130% of baseline) for E-7 schedules were not revenue neutral with respect to the tier 1 and 2 rates paid by the great majority (95%) of residential customers who are not served by the TOU option.
(2) The existing rate structure no longer reflected costs associated with generation and local area peaks in energy demand that were last established in PG&E's 1993 GRC. These generation and local area peaks are instrumental in establishing marginal costs, i.e., costs that are *avoided* as a result of TOU customers who have solar or photovoltaic (PV) equipment that generates electricity during peak hours, and other TOU customers who shift load from peak to partial- or off-peak hours.
(3) Water Code Section 80110 added by Assembly Bill (AB)1X in 2001 prevents the Commission from allowing PG&E to increase tier 1 and tier 2 rates . PG&E's residential rate structure is comprised of five tiers, each tier allowing for a specified amount of kilowatt hour (kWh) use. Tier 1, for usage up to a customer's baseline quantity, has the lowest rate; higher tiers have increasingly higher rates. Tier 2 applies to usage from 101% to 130% of baseline. Tiers 3 through 5 apply to 131% to 200%, 201% to 300%, and over 300% of baseline kWh use, respectively. AB1X relegates tiers 3 through 5 to bear the burden of residential class rate increases, which means that to correct for revenue requirement increases allocated to the E-7 rate, PG&E would have to establish prohibitive rates for tiers 3 through 5 on the E-7 schedule.

PG&E's testimony stated that the E-6 rate features price differentials between TOU periods that accurately reflect the differences in marginal costs between the TOU periods.

PG&E proposed to establish the new E-6 schedule, and provide a TOU option to all new enrollments. PG&E testified that an E-6 rate design would be revenue neutral within the residential class, better reflecting current generation and distribution marginal costs in different TOU periods. PG&E proposed *"that the Schedule E-6 rate design reflect the actual marginal costs that the average customer taking service on this schedule would avoid by shifting or conserving usage during the peak and partial-peak periods."* (A.04-06-024, Ex. 4, p. 2A-7).

PG&E's rate design testimony cited two structural problems with the current design of E-7 TOU schedules:

PG&E testified that two structural problems existed with the current design of E-7 rates: (1) the 20.7 cents per kWh price differential between the summer peak and off-peak periods was much greater than the actual savings (avoided cost) resulting from customers shifting or conserving load in response to the summer peak price; and (2) the E-7 TOU periods do not include a summer "shoulder" or partial-peak period between the peak and off-peak periods, to reflect the intermediate effect of avoided cost during hours immediately before and after the summer-peak period, and accurately reflect the actual marginal costs that customers taking service on schedule E-7 could avoid by shifting or conserving use during these periods.

PG&E testified that the E-7 rate price differentials between peak and off-peak *"significantly exceed the underlying marginal cost differentials"*. According to PG&E the price differential during the summer peak period for tier 2 use *"is nearly 21 cents per kWh. In reality, there is very little marginal cost price difference between consumption at 11 a.m. and 12 p.m. or between 6 p.m. and 7 p.m. Even the difference between 3 a.m. and 3 p.m. is significantly less than 21 cents per kWh."* (A.04-06-024, Ex. 4 p. 2A-7).

PG&E proposed the E-6 rates with weekday and weekend partial-peak summer rate periods, proposed a change to the summer peak-hour time slot, and included a list of holidays during which off-peak rates would apply.

To properly reflect marginal costs and the resulting opportunity for residential TOU customers to *avoid* costs during all TOU periods, PG&E proposed a partial-peak summer rate with time periods lasting from 10 am to 1 pm and 7 pm to 9 pm, Monday through Friday, and a 5 pm to 8 pm summer partial-peak period for Saturdays and Sundays. Additionally, PG&E proposed a 5 pm to 8 pm winter partial-peak period for Monday to Friday.

PG&E proposed that the six-hour, Monday through Friday on-peak summer period be moved back one hour from the existing E-7 rate 12 noon to 6 pm time period, to a 1 pm to 7 pm, Monday through Friday period.

Finally, PG&E proposed that holidays be included on the E-6 rate, during which off-peak rates would apply for the 24-hour duration of those dates. The E-6 rate schedule states: *"Holidays" for the purposes of this rate schedule are New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, and Christmas Day. The dates will be those on which the holidays are legally observed."*

E-6 TOU periods differ from E-7 periods.

Schedule E-7 rate does not have a summer partial-peak period. It has a year-long, six-hour on-peak period from 12 noon to 6 pm, Monday through Friday; the off-peak period is all other hours, including all weekends. E-7 does not have a holiday schedule.

Implementing the E-6 rate and closing the E-7 rate to enrollment as of May 1, 2006, would establish the following TOU period features:

(1) Adding the summer weekday (10 am to 1 pm and 7 pm to 9 pm) and weekend (5 pm to 8 pm) partial-peak periods that did not exist on E-7 rate; (2) adding a partial-peak, 5 pm to 8 pm period during the winter; (3) moving the summer and winter 12 noon to 6 pm on-peak period back one hour to a *summer only* 1 pm to 7 pm period, (as opposed to the E-7 winter on-peak period); and (4) adding the aforementioned holidays with all hours billed "off-peak".

PG&E and parties in A.04-06-024 filed settlements to resolve marginal cost, revenue allocation, and rate design issues in the proceeding.

On May 13, 2005 PG&E and all parties in A.04-06-024 filed a motion asking the Commission to adopt a settlement resolving issues on marginal cost, revenue allocation, and limited rate design matters. On June 3, PG&E and all parties filed motions for the Commission to adopt supplemental Residential and Small Light and Power settlements, and on July 8 PG&E and all parties filed motions for the Commission to adopt supplemental Large Light and Power, Agricultural, and Energy Recovery Bond settlements.

With the exception of agreeing on a definition for the agricultural class, parties resolved all outstanding issues regarding marginal costs, revenue allocation, and rate design.

According to the Residential Settlement, enrollment in Schedule E-7 would be discontinued in May 2006.

The Residential Settlement parties included ORA, PG&E, and TURN. The Supplemental Residential Agreement (Appendix C, D.05-11-005) stated certain conditions specific to discontinuing enrollment in the E-7 rate to new customers, and availability of the E-6 rate to new TOU customers:

Item 6 of the agreement stated: *"Time of use (TOU) Schedules E-7, EL-7, EA-7, and EL-A7 shall be closed to new enrollment on May 1, 2006. Replacement Schedules E-6 and EL-6, which are revenue neutral with the residential class, shall be opened on May 1, 2006, for all new TOU enrollment.*

On November 18, 2005, the Commission issued D.05-11-005, which approved the Settlement Agreement and all Supplemental Settlement Agreements:

Ordering Paragraph (O.P.) 1 of D.05-11-005 stated: *"The motions dated May 13, June 3, and July 8, 2005 for adoption of the May 13, 2005 Settlement plus five Supplemental Settlements are granted. The Settlements in Appendices B, C, D, E, F, and G are adopted."*

O.P 2 stated: *"Within 45 days of the date this order is mailed, Pacific Gas and Electric Company (PG&E or applicant) shall file an advice letter(s) in compliance…" "The advice letter(s) shall also comply with resolutions, if any, adopted pursuant to applicant's annual electric true-up filing (Advice 2706-E filed September 1, 2005). The advice letter(s) shall include revised tariff sheets to implement the revenue allocations and rate designs adopted in this order. The tariff sheets shall become effective on or after January*

1, 2006, subject to Energy Division determining that they are in compliance with this order."

D.05-11-005 required that various tariff revisions be made effective January 1, March 1, and May 1, 2006.

In compliance with Resolution E-3956, which consolidated PG&E's revenue requirements effective January 1, 2006, and D.05-11-005, PG&E filed AL 2706-E-A. That advice letter established new rates effective on January 1 based on the revenue allocation and rate design methods approved in D.05-11-005.

Later in January 2006 PG&E filed AL 2764-E in compliance with D.05-11-005. The advice letter included draft tariff modifications authorized by the decision with a March 1, 2006 or May 1, 2006 effective date. The May 1, 2006 draft tariff modifications included the revisions to the E-7 rate (i.e., closed to new customers effective May 1), and issuance of Schedule E-6 on May 1. PG&E filed these tariffs in draft form, and did not request that any of the rates shown in AL 2764-E be made effective because it expected that further rate changes would occur prior to May 1, 2006. Two rate changes did occur, the first on March 1, 2006 to implement new transmission revenue requirements authorized by the Federal Energy Regulatory Commission (FERC). In AL 2791-E, PG&E filed new rates and final tariff changes, previously filed in draft form in AL 2764-E effective March 1. PG&E also filed AL 2795-E to implement another electric rate change on April 1, to reflect demand response and self-generation incentive program (SGIP) revenue requirements authorized by the Commission.

The draft tariff changes filed in AL 2764-E were accepted by the Energy Division as being in compliance with D.05-11-005. The Energy Division made PG&E's tariffs implementing the March 1 and April 1 rate changes effective on those dates as authorized by relevant Commission and FERC orders.

PG&E filed AL 2810-E on April 5, 2006, and supplemental AL 2810-E-A to make tariff changes effective May 1, 2006 in compliance with D.05-11-005.

On April 5, PG&E submitted the rates it intended to make effective on May 1, 2006 in AL 2810-E. On April 14 PG&E filed supplemental AL 2810-E-A with the rates shown in tariffs, and the tariff language changes previously submitted in AL 2764-E with a May 1, 2006 effective date. PG&E also filed some additional tariff changes in the supplemental advice letter to comply with D.05-11-005. These include changes to Rule 9 to list new schedules E-6 and EL-6; inclusion of the list of standard holidays, and language added referring to possible TOU meter obsolescence in those schedules; elimination of the peak rate limiter in the net energy metering and economic incentive rate schedules; and other minor changes.

NOTICE

Notice of AL 2810-E/2810-E-A was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A, and served on parties to A.04-06-024.

PROTESTS

PG&E's Advice Letter AL 2810-E-A was timely protested by Mr. Bob Winn (Sky Power Systems) on April 27, 2006 and Mr. Walt Bilofsky (Toolworks) on May 3, 2006.

Sky Power Systems protested AL 2810-E-A on the grounds that (1) the summer peak period hours for the E-6 rate, 1 pm to 7 pm Monday through Friday, are not appropriate, and the 12 noon to 6 pm summer peak period used in Schedule E-7 should be maintained, and (2) the peak/part-peak/off-peak times are not aligned with TOU rates for small commercial TOU service customers (on the A-6 rate). Sky Power Systems characterized the E-6 rate, its underlying rates for net energy metering, and its associated TOU periods as *"a clear attempt to penalize solar electricity generators."*

In its reply to protests submitted on May 11, PG&E stated that its summer peak period is from 1 pm to 7 pm based on testimony provided in A.04-06-024. According to PG&E *"The Commission should reject the concerns of Sky Power Systems with regard to the revised TOU periods for the new rate schedule as PG&E is acting in compliance with the settlement."*

The Toolworks protest proposed that the E-7 rate remain available to new customers with solar generating facilities. Citing the importance of PV installations in effecting public policy efforts that influence demand-side energy programs, Toolworks stated that the payback period for residential photovoltaic installations would be extended by about 20% or more for customers who purchase PV equipment and take electric service on the E-6 rate. Toolworks also stated that purchasers of PV systems would require a larger and more costly systems and that the loss of Schedule E-7 will *"have an immediate detrimental impact on individuals making solar electric purchase decisions, and on businesses which sell and install solar generating facilities for PG&E customers."*

Finally, Toolworks stated that *"The magnitude of the impact of closing E-7 was not adequately disclosed prior to the filing of Advice 2810-E-A, just seventeen days before the rates are to take effect"*, further stating that while previous ALs incorporated the closure of the E-7 rate to new customers, *"these earlier filings contained deceptively low E-6 rate numbers, which masked the drastic negative impact of E-6 on residential photovoltaic customers."*

PG&E replied to Toolworks by addressing claims that the payback period for a majority of PV purchasers would increase by 20% or more. PG&E's analysis concluded that this may be true for only a small number of customers: the 13% of PV customers whose gross electric use (measured before net energy is calculated by subtracting PV generation from electric use) is less than 130 % of baseline. PG&E's analysis also indicated that *"Customers in the next highest usage group, those with Tier 3 usage and perhaps a small amount of Tier 4 usage, will see a smaller increase in their payoff periods. "*

According to PG&E, usage below 130% of baseline signifies tier 1 and 2 use, having the lowest rates for each TOU period, and the lowest savings through avoided cost. As a customer's level of consumption increases into higher tiers across all TOU periods, E-6 rates are designed to increase nine cents per kWh between tiers 2 and 3, over eight cents per kWh between tiers 3 and 4, and over four cents per kWh between tiers 4 and 5. As such, customers who tend to use more electricity and have PV equipment generating electricity during peak and part-peak hours can accelerate cost savings influencing the length of the payback period, due to PV-related savings associated with tier surcharge differentials.

PG&E's analysis also concluded that *"to the extent a customer found it economic and in their interest during 2005 to install a solar energy system, the introduction of E-6 would not materially change a decision to install a system for most customers during 2006."* PG&E's analysis further concluded that approximately 40% of PV customers would have a shorter payback on 2006 schedule E-6 rates than they would have had on 2005 E-7 rates, due to the more than doubling of tiered surcharges between 2005 and 2006, and the fact that PV TOU customers tend to be large electric consumers, using approximately 60% more than the average household. These customers are subject to higher-tiered rates.

PG&E stated in its reply that it is fully committed to the successful implementation of the California Solar Initiative (CSI). PG&E argued that *"The primary reason for the increase in the payoff periods for smaller PV customers is not the restructuring of time-of-use periods or the reduction in summer peak rates, but the loss of the rate subsidy given to E-7 customers by the rest of the residential class. The loss of this subsidy is responsible for more than two-thirds of the increase in the payoff period cited by Mr. Bilofsky. At 1.9 cents per kWh for the average E-7 customer, it is a primary reason PG&E replaced E-7 with E-6."*

To address the protest's claim regarding lack of adequate disclosure in filing AL 2810-E/2810-E-A, PG&E stated that it is not procedurally appropriate to seek to litigate matters in a protest to an advice letter that should have been addressed in evidentiary hearings or during the settlement process of the GRC, leading up to D.05-11-005.

PG&E also noted that it provided for public review of the E-6 proposal and all rates through the proceeding process, by complying with CPUC Rules of Practice and Procedure Rule 24 (Service of Rate Increase Applications) by mailing required notification to state, county, and municipal entities, and by complying with Public Utility Code Section 454, through bill inserts sent to all customers containing notice of the application and its proposed rate impacts, along with subsequent bill inserts inviting attendance at public participation hearings. Any party had the opportunity to file a motion to intervene during the proceeding.

Additionally, in addressing the protest's reference to "deceptively low E-6 rate numbers" between earlier and settlement filings, PG&E referred to item 11 of the Residential Settlement Agreement, which states *"The rates shown below are developed to collect the revenue allocated to the residential class set forth in Table 2 (column 4) of the May 13 settlement. Adopted revenue requirements shall be applied to these initial rates to determine rates effective in 2006. These rates are the best estimate of rates that would be calculated based on actual Commission decision at that time. However, the actual rates may be somewhat different than shown below."*

PG&E's reply provided a comparison of the tier 1 TOU period rates as illustrated in the settlement approved by D.05-11-005, with rates submitted in AL 2810-

E/2810-E-A. According to PG&E the rates *"are consistent with the rates adopted in the settlement approved by D.05-11-005; however, they include the effect of revenue requirement changes approved by the CPUC since that date, and thus, the filed rates as presented in Advice 2810-E should be adopted."* PG&E's reply also noted that illustrative E-6 rates submitted in a previous advice letter (AL 2764-E) were included with *"text changes necessary to implement changes adopted in D.05-11-005, in accordance with the settlement, but were not intended to provide final rate values."*

According to PG&E, the tariffs in AL 2764-E were filed as draft tariffs with changes to text, which included consolidation with January 2006 text changes and January 1, 2006 rate levels from AL 2706-E-A because PG&E expected intervening electric rate changes between January 1 and May 1. No E-6 rates were in effect on January 1, and placeholder rates used in AL 2764-E for E-6 were not representative of rates adopted by D.05-11-005, as previously explained. PG&E then presented final rates in AL 2810-E filed on April 5, 2006; neither the Commission nor PG&E received protests to this AL (protests were received to AL 2810-E-A). AL 2810-E-A then implemented those rates into the final tariff format.

The California Solar Energy Industries Association (CSEIA) filed a late protest.

The trade association CSEIA submitted a late protest letter on July 25, 2006 regarding changes to E-6 and E-7 rates and tariffs. The subject matter of this letter raised substantially the same issues as the protests submitted by Sky Power Systems and Toolworks. PG&E replied to CSEIA's protest on August 3.

DISCUSSION

The Commission authorized PG&E to close Schedule E-7 to new customers and replace it with Schedule E-6 effective May 1, 2006.

D.05-11-005 adopted a settlement agreement which states that PG&E shall close Schedule E-7 to new customers and replace it with Schedule E-6 effective May 1, 2006. AL 2810-E-A complies with D.05-11-005 in this regard.

The Schedule E-6 TOU periods filed by PG&E in AL 2810-E-A are the same as those proposed by PG&E in A.04-06-024.

In A.04-06-024 PG&E analyzed its historical systemwide and residential class loads for typical system peak days. The data indicates that the highest generation loads—and resulting generation and distribution marginal costs—occur between the weekday hours of 1 pm to 7 pm. PG&E's data indicates that residential partial-peak period loads generally occur between 10 am to 1 pm and 5 pm to 7 pm during the week, and between 5 pm to 8 pm on summer weekends due to air conditioning loads. Electric space heating contributed to a similar effect for partial-peak loads on weekdays from 5 pm to 8 pm during the November through April winter season. PG&E used this data to develop the E-6 summer peak, partial- and off-peak rates and winter partial- and off-peak rates. Summer and winter off-peak rates apply at all other times not applicable to the respective summer peak and partial-peak, and winter partial-peak rates. Off-peak rates also apply to the entirety of the previously listed designated holidays.

The E-6 TOU periods filed in AL 2810-E-A are the same as those proposed by PG&E in A.04-06-024. D.05-11-005 authorized PG&E to establish Schedule E-6 effective May 1, 2006 and the Commission has not modified the TOU structure of this rate schedule. The E-6 TOU periods filed by PG&E in AL 2810-E-A comply with D.05-11-005.

PG&E designed E-6 rates so that the rate differentials between TOU periods mirror the marginal cost differences between the periods.

In A.04-06-024 testimony, PG&E proposed to continue providing residential customers with a new TOU rate option while discontinuing new enrollment in the E-7 rate. PG&E's testimony stated that the E-6 rate would be revenue neutral within the residential class, and would accurately reflect marginal costs which result from PV generation, and shifting or conserving electric use during all summer and winter TOU periods.

To establish energy charge differentials between the respective TOU periods, PG&E determined that its marginal costs of serving residential customers would be 15.7 cents per kWh during the summer peak period, 6.0 cents per kWh during partial-peak periods, and 4.3 cents per kWh during off-peak. PG&E calculated its marginal cost for winter partial-peak to be 7.3 cents per kWh, and 4.9 cents for winter off peak.

The differences in marginal energy costs are 9.7 cents per kWh between summer peak and partial-peak and 1.7 cents per kWh hour between partial- and off-peak.

The differential between winter partial- and off-peak is 2.4 cents per kWh. Accordingly, TOU energy charge differentials between periods are designed to reflect these energy charge differences at all tier use levels.

Table 1 illustrates marginal cost differentials between TOU periods:

Table 1, E-6 Rate Schedule:	Summer Peak	Summer Part-peak	Summer Off-peak	Winter part-peak	Winter Off-peak
Marginal Cost, cents per kWh	15.709	6.024	4.268	7.263	4.892
Marginal Cost Differentials between TOU Periods (e.g. summer peak vs. summer part-peak), cents per kWh		**9.685**	**1.756**		**2.371**

These marginal cost differentials reflect the price differentials between TOU periods in the E-6 rates filed by PG&E in AL 2810-E and 2810-E-A.

Marginal costs are calculated from the sum of two components: avoided energy costs, and avoided capacity costs.

PG&E's E-6 rate design incorporates rate differentials between the TOU periods based on the sum of avoided energy and capacity costs, attributable to load reductions by all TOU customers. TOU customers are comprised of (1) non-PV customers that shift load habits to avoid use during peak and partial-peak time periods, and (2) PV customers, who in addition to generating power may also practice load-shifting habits. The Energy Division confirmed that this rate design is consistent with TOU rate design testimony submitted in A.04-06-024, and is reflected in the settlement as adopted in D.05-11-005.

PG&E's E-6 rate design method complies with D.05-11-005.

PG&E provided workpapers illustrating its marginal cost calculations, and Energy Division confirmed that PG&E designed E-6 rates using the same method it proposed in A.06-04-024. The E-6 TOU rate differentials PG&E filed in AL 2810-E and 2810-E-A reflect those shown in the illustrative E-6 rates included in the settlement and adopted by the Commission in D.05-11-005.

E-6 rates filed by PG&E in AL 2810-E-A are higher than the illustrative rates shown in the settlement adopted by the Commission in D.05-11-005. This is explained by the Commission-authorized revenue requirements changes that occurred on January 1, March 1, and April 1, 2006. Energy Division has reviewed PG&E's workpapers and confirmed that the rates PG&E filed in AL 2810-E-A accurately reflect residential class revenue requirements changes authorized by the Commission between January 1 and April 1, 2006.
PG&E appropriately submitted tariff changes in compliance with D.05-11-005 and other CPUC orders.

The Toolworks protest cited "deceptively low" rates issued in PG&E's earlier advice letter filings. In D.05-11-005, the Commission states *"These rates allow applicant to collect the revenue requirement determined in Phase 1 of applicant's test year 2003 general rate case (GRC), as modified by subsequent revenue requirement decisions."* The supplemental residential settlement agreement approved by the decision states *"Adopted revenue requirements shall be applied to these initial rates to determine rates effective in 2006. These rates are the best estimate of the rates that would be calculated based on actual Commission decisions at that time."*

On January 10, 2006, PG&E filed compliance AL 2764-E in accordance with the settlement agreements approved by the Commission in D.05-11-005. The AL included draft tariff (text change) modifications authorized by the decision with a March 1, 2006 or May 1, 2006 effective date, and rates effective January 1, 2006. PG&E filed these tariffs in draft form, and *did not* request that any of the draft rates shown in AL 2764-E be made effective due to rate changes expected to occur between January and May 2006.

PG&E filed AL 2791-E to reflect new rates resulting from transmission revenue requirements authorized by FERC. AL 2791-E included new rates and final tariff changes, previously filed in draft form in AL 2764-E. The Energy Division found these tariff changes in compliance with D.05-11-005. AL 2791-E became effective March 1. PG&E also filed AL 2795-E to implement rate changes reflecting demand response and SGIP revenue requirements authorized by the Commission. AL 2795-E became effective April 1.

Advice letters and corresponding tariffs and rates were filed appropriately and in compliance with D.05-11-005 and other Commission orders. There is no indication that PG&E intended to deceive any party during this process.

PG&E provided proper notification of tariff changes filed in AL 2810-E and 2810-E-A.

On April 5, PG&E submitted AL 2810-E, requesting rates to be effective May 1, 2006. On April 14 PG&E filed supplemental AL 2810-E-A with rates shown in tariffs, and tariff language changes that were previously submitted in AL 2764-E with a May 1, 2006 effective date. The rates shown in AL 2810-E-A remained unchanged from those submitted with AL 2810-E. AL 2810-E-A was issued to note additional tariff changes to comply with D.05-11-005.

AL 2810-E/2810-E-A included updated rate schedules that incorporated rate increases resulting from revenue requirement increases that occurred after January 1 and before May 1, 2006. PG&E appropriately served ALs 2810-E and 2810-E-A on all parties pursuant to the provisions of G.O. 96-A and D.05-01-032, as well as on all parties in A.04-06-024.

PG&E's methodology was consistent in allocating the increase in residential revenue requirement amongst all residential rates.

The revenue requirement increase allocated to the residential class between the D.05-11-005 issue date and May 1, 2006 was approximately $477 million. The Energy Division has reviewed PG&E's workpapers and methodology in calculating residential class rates based on the increase allocated to the residential class, and determined that PG&E's E-6 rate design is in compliance with D.05-11-005, and subsequent orders authorizing revenue requirement changes.

Issues raised in protests on AL 2810-E/-E-A may be addressed in PG&E's 2007 Phase 2 GRC.

This resolution addresses whether PG&E's AL 2810-E/2810-E-A complies with prior Commission orders authorizing rate changes. As discussed above the rates that PG&E filed in this advice letter comply with D.05-11-005, and subsequent Commission and FERC orders that authorized revenue requirement changes during the first four months of 2006.

The policy implications of replacing Schedule E-7 with Schedule E-6 are not the subject of this resolution. These issues were raised in protests on PG&E's advice letter and are properly addressed in PG&E's pending 2007 Phase 2 GRC A.06-03-005, where the Commission will comprehensively review all PG&E's rate schedules. The protests on AL 2810-E-A are denied without prejudice.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft resolution was mailed for comments on August 18, 2006. No parties submitted comments.

FINDINGS

1. PG&E submitted A.04-06-024 on June 17, 2004, in PG&E's Phase 2 2003 GRC proceeding.
2. PG&E's rate design testimony in this proceeding proposed closing enrollment in their residential E-7 TOU rate, and opening a residential E-6 TOU rate.
3. PG&E stated that the E-7 TOU rate is not revenue netural and is subsidized by other residential rates, and a proposed E-6 TOU rate would eliminate the subsidy and provide a rate structure that accurately reflects marginal cost and marginal avoided cost differentials between TOU periods.
4. On June 3, 2005, PG&E and the settling parties (ORA and TURN) filed a motion asking the Commission to adopt a supplemental residential settlement.
5. Motions for settlement and supplemental settlements were adopted in D.05-11-005, and authorized PG&E to implement tariffs and rates approved in Phase 2 of the 2003 GRC.
6. Rates and tariffs authorized in D.05-11-005 were effective January 1, March 1, and May 1, 2006.
7. PG&E filed AL 2706-E-A on December 30, 2005, in compliance with D.05-11-005, for electric rate changes in the Annual Electric True-up effective January 1, 2006.
8. PG&E filed AL 2764-E on January 10, 2006, in compliance with D.05-11-005, for electric tariff revisions effective March 1 and May 1, 2006.

9. PG&E filed AL 2791-E on February 24, 2006, to implement electric rate changes resulting from a FERC-approved transmission revenue requirement increase, effective March 1, 2006.
10. PG&E filed AL 2795-E on March 1, 2006, to implement electric rate changes resulting from various revenue requirement increases including those for the Demand Response and SGIP programs.
11. PG&E filed AL 2810-E on April 5, 2006, in compliance with D.05-11-005, for electric rate changes approved in Phase 2 of the 2003 GRC. PG&E issued updated rates for all electric rate schedules in this AL.
12. PG&E filed supplemental AL 2810-E-A on April 14, 2006, to identify several additional changes to its tariffs. This supplemental AL did not supersede any rates issued in AL 2810-E.
13. Al 2810-E-A was timely protested by Sky Power Systems on April 27 and by Toolworks on May 3, 2006.
14. Both protests focus on the closure of the E-7 TOU residential rate to new customers as of May 1 and the availability of the E-6 TOU rate to new customers as of May 1, as approved by D.05-11-005.
15. PG&E responded to protests on AL 2810-E-A on May 11, 2006.
16. The protests on AL 2810-E-A are denied without prejudice.
17. Issues raised by protests on AL 2810-E-A may be raised in PG&E's Phase 2 2007 GRC, A.06-03-005.

THEREFORE IT IS ORDERED THAT:

1. PG&E's request to implement tariffs and rates as requested in Advice Letter AL 2810-E and 2810-E-A is approved, effective May 1, 2006.
2. Protests submitted on AL 2810-E-A are denied without prejudice. Issues raised by protests may be considered in A.06-03-005.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 21, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director